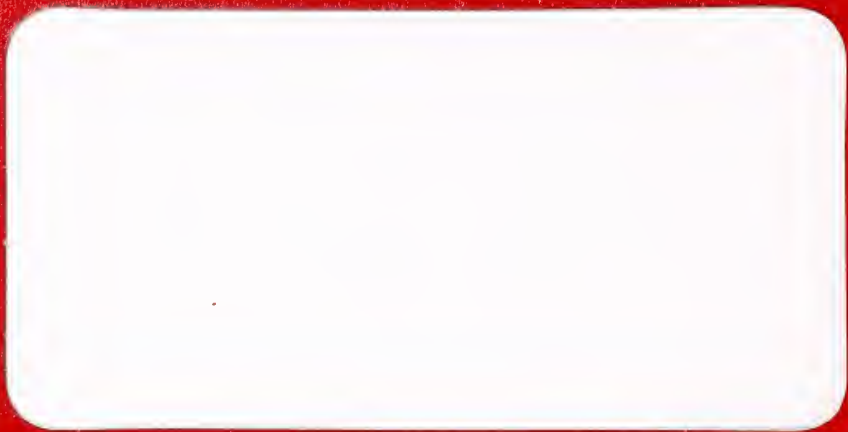


Y-INS  
INS/PRES

1981

OPPORTUNITIES IN PROVIDING DP SERVICES  
TO SMALL PROPERTY/CASUALTY COMPANIES





O'Flaherty, T		Y-INS INS/PRES
AUTHOR		
Opportunities in Providing DP Services to Small Property/ Casualty Companies. March 1981.		
DATE LOANED	BORROWER'S NAME	

NS  
/PRES



OPPORTUNITIES IN PROVIDING DP SERVICES  
TO SMALL PROPERTY/CASUALTY COMPANIES

PREPARED FOR:  
INSCO SYSTEMS

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MARCH 1981

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## TOPICS TO BE COVERED

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- INTRODUCTION.
- COMPANIES' CURRENT DATA PROCESSING USE AND PLANS.
- MARKET SIZING.
- COMPETITIVE ENVIRONMENT.
- RECOMMENDATIONS.

INPUT

YINS01



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## INTRODUCTION

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- PURPOSE OF STUDY.
  - EXAMINE MARKET FOR DATA PROCESSING SERVICES AIMED AT SMALLER INSURANCE COMPANIES.
  - EVALUATE LIKELIHOOD OF SUCCESS OF A TURNKEY PRODUCT.
- DESCRIPTION OF SYSTEM ALTERNATIVES.
  - TURNKEY SYSTEM CHARACTERISTICS.





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## SYSTEM ALTERNATIVES

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- MANUAL SYSTEMS.
- COMPUTER SYSTEMS.
  - IN-HOUSE DATA PROCESSING.
    - . HARDWARE.
    - . SOFTWARE.
      - 1. IN-HOUSE WRITTEN.
      - 2. VENDOR-SUPPLIED.
  - REMOTE PROCESSING SERVICES.
    - . DISTRIBUTED DATA PROCESSING (DDP).
  - TURNKEY SYSTEMS.



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<https://archive.org/details/03383YINSns81Opportunitie>

FUNCTIONAL DIFFERENCES BETWEEN TURNKEY  
SYSTEMS AND VENDOR-SUPPLIED SOFTWARE

	<u>VENDOR SOFTWARE</u>	<u>TURNKEY</u>
HARDWARE SUPPLIED WITH SOFTWARE?	NO	YES
HARDWARE/SOFTWARE COMBINATION COMPATIBLE?	NOT NECESSARILY (ESPECIALLY IF USING EXISTING HARDWARE)	YES
OPERATING SYSTEM COMPATIBLE WITH APPLICATIONS SOFTWARE?	NOT NECESSARILY (MAY REQUIRE ON GOING CUSTOMER EFFORT)	YES (BOTH SUPPLIED)
LEVEL OF INSTALLATION/CONVERSION SUPPORT BY VENDOR.	VARIES	HIGH

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FUNCTIONAL DIFFERENCES BETWEEN TURNKEY - continued  
SYSTEMS AND VENDOR-SUPPLIED SOFTWARE

	<u>VENDOR SOFTWARE</u>	<u>TURNKEY</u>
EXTENT OF TECHNICAL KNOWLEDGE & SELF SUPPORT REQUIRED OF CUSTOMER.	VARIES - OFTEN MEDIUM - HIGH	USUALLY LOW
LEVEL OF "HAND HOLDING" BY VENDOR	VARIES	HIGH
EXTENT TO WHICH CUSTOMERS ARE ALLOWED TO MODIFY SOFTWARE.	MEDIUM-HIGH	LOW-MEDIUM
EXTENT OF "USER FRIENDLINESS". IN SOFTWARE.	VARIES - OFTEN ORIENTED TO TRADITIONAL DP DEPT.	VARIES, BUT USUALLY END USER ORIENTED.

INPUT



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## I. COMPANIES EXPERIENCE AND PLANS

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- SAMPLE PROFILE.
- CURRENT LEVEL OF AUTOMATION.
- SOURCES OF PRESENT AUTOMATION.
- FUTURE PLANS.
- SOURCES OF FUTURE AUTOMATION.
- VENDOR SELECTION PROCESS.





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### CHARACTERISTIC OF INTERVIEW SAMPLE

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<u># OF COMPANIES</u>	<u>TYPE OF COMPANY</u>		<u>TOTAL</u>
	<u>MUTUAL</u>	<u>STOCK</u>	
INDIVIDUAL	8	9	17
MEMBER OF GROUP	<u>5</u>	<u>8</u>	<u>13</u>
TOTAL	13	17	30

- A COMPANY WITHIN A GROUP WAS EXCLUDED IF THE GROUP WAS TOO LARGE.

INPUT

YINS07



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CHARACTERISTIC OF INTERVIEW SAMPLE - continued

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<u>SIZE OF COMPANY*</u>	<u>TYPE OF COMPANY</u>		<u>TOTAL</u>
	<u>MUTUAL</u>	<u>STOCK</u>	
UNDER \$10 MILLION	1	4	5
BETWEEN \$10-25 MILLION	5	4	9
BETWEEN \$25 AND 100 MILLION	<u>7</u>	<u>9</u>	<u>16</u>
TOTAL	13	17	30

\*DIRECT PREMIUMS

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YINS08





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## CHARACTERISTICS OF SMALLER COMPANIES

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- INFORMAL, LITTLE BUREAUCRACY, E.G.,
  - FEW FORMAL DATA PROCESSING BUDGETS.
- FLEXIBILITY IN MANAGEMENT AND ORGANIZATION.
  - TOP MANAGEMENT INTIMATELY INVOLVED IN ALL IMPORTANT ISSUES.
  - LITTLE PERMANENT SPECIALIZATION IN CLERICAL DUTIES.
  - EFFICIENT MANUAL SYSTEMS.
- MORE AGGRESSIVE COMPANIES REACT VERY QUICKLY TO MARKETPLACE.
  - SYSTEMS MUST RESPOND EQUALLY QUICKLY.



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### CHARACTERISTICS OF SMALLER COMPANIES - continued

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- AUTOMATION VIEWED AS USEFUL, BUT NOT MAGIC.
  - MOST DATA BASES NOT LARGE ENOUGH FOR UNDERWRITING ADVANTAGES.
- COMPANIES VIEW THEMSELVES AS BEING UNIQUE.
  - SENIOR VP (OPERATIONS) - "I'VE BEEN IN FOUR COMPANIES AND IT'S HARD TO SAY WHY, BUT EACH ONE HAS BEEN UNIQUE (ADMINISTRATIVELY). THE SAME COMPUTER SYSTEM COULD NOT MEET ALL THEIR NEEDS."

INPUT

YINS10





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**CURRENT AUTOMATION AND  
LEVEL OF SATISFACTION**

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<u>COMPANY TYPE</u>	<u>AUTOMATION* LEVEL</u>	<u>SATISFACTION** LEVEL</u>
<u>MUTUALS</u>		
UNDER \$25 MILLION	2.2	4.2
OVER \$25 MILLION	2.6	3.3
TOTAL	2.4	3.8
<u>STOCK</u>		
UNDER \$25 MILLION	2.4	3.5
OVER \$25 MILLION	2.0	3.9
TOTAL	2.2	3.7
<u>TOTAL</u>		
UNDER \$25 MILLION	2.3	3.8
OVER \$25 MILLION	2.2	3.6

\*EXTENT OF AUTOMATION

- 5 ON-LINE, INTERACTIVE ALL FUNCTIONS, ALL LINES.
- 4 ON-LINE INTERACTIVE, SIGNIFICANT BUT LESS THAN ABOVE.
- 3 RJE, ALL SIGNIFICANT BUSINESS, AT LEAST RATING AND POLICY ISSUANCE.
- 2 RJE, LESS THAN ABOVE.
- 1 BATCH OR RJE STAT'S ONLY.

\*\*1 = LOW; 3 = AVERAGE; 5 = HIGH

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# CURRENT SOURCES OF COMPUTER SERVICES

COMPANY TYPE	IN-HOUSE				VENDOR		
	HARDWARE		NON-IBM	TOTAL	SOFT-WARE	AFF. PROC.	SOFT-WARE
	IBM						
<u>MUTUALS</u>							
UNDER \$25 MILLION (5)	1	2	3	4	0	2	0
OVER \$25 MILLION (7)	3	3	6	4	2	0	1
TOTAL (12)	4	5	9	8	2	2	1
<u>STOCK</u>							
UNDER \$25 MILLION (5)	2	4	6	4	0	1	0
OVER \$25 MILLION (8)	4	1	5	5	2	2	2
TOTAL (13)	6	5	11	9	2	3	2
TOTAL COMPANIES (25)	10	10	20	17	4	5	3
UNDER \$25 MILLION	3	6	9	8	0	3	0
OVER \$25 MILLION	7	4	11	9	4	2	3

NOTE: FIVE INSCO CLIENTS EXCLUDED; SEVERAL OTHER COMPANIES USE MORE THAN ONE SOURCE.

INPUT

YINS12



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ATTITUDE TOWARD DIFFERENT  
SOURCES OF AUTOMATION

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<u>TYPE OF SYSTEM</u>	<u>NUMBER OF COMPANIES EXPRESSING OPINION</u>	
	<u>POSITIVE</u>	<u>NEGATIVE</u>
MANUAL SYSTEMS	2	15
IN-HOUSE HARDWARE	25	1
IN-HOUSE DEVELOPED SOFTWARE	21	3
VENDOR PROCESSING SERVICE	0	14
VENDOR (INSURANCE) SOFTWARE	8	11
TURNKEY SYSTEMS	2	12

NOTE: 30 RESPONDENTS.

INPUT

YINS13





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## TIMING OF FUTURE PLANS

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- TIMING DIFFICULT FOR COMPANIES TO FORECAST.
  - NO BUDGET/PLANNING PROCESS.
  - RECENT UNDERWRITING EXPERIENCE HAS BEEN POOR.
  - IN MANY COMPANIES "A YEAR IS THE LONG TERM".
- CRITERIA USED.
  - IMPLEMENTATION TO START WITHIN THREE YEARS.
  - LIKELY TO OCCUR.

INPUT

YINS14



# COMPANIES' FUTURE SYSTEM PLANS

COMPANY TYPE	NUMBER OF COMPANIES PLANNING:			FEW/NO CHANGES
	ENTIRELY NEW SYSTEMS	SIGNIFICANT ENHANCEMENTS*	SUBTOTAL: NEW AND ENHANCEMENTS	
<u>MUTUALS</u>				
UNDER \$25 MILLION	0	5	5	1
OVER \$25 MILLION	2	4	6	1
TOTAL	2	9	11	2
<u>STOCK</u>				
UNDER \$25 MILLION	4	3	7	1
OVER \$25 MILLION	3	5	8	1
TOTAL	7	8	15	2
<u>TOTAL COMPANIES</u>	9	17	26	4
UNDER \$25 MILLION	4	8	12	2
OVER \$25 MILLION	5	9	14	2

\*ADDING MAJOR FUNCTIONS (E.G., RATING) OR EXPANDING LINES COVERED

INPUT



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**SOURCE OF SOFTWARE FOR  
COMPANIES' FUTURE SYSTEMS**

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<u>COMPANY TYPE</u>	<u>NUMBER OF COMPANIES PLANNING:</u>	
	<u>IN-HOUSE DEVELOPMENT</u>	<u>VENDOR SOFTWARE</u>
<u>MUTUALS</u>		
UNDER \$25 MILLION	4	1*
OVER \$25 MILLION	2	5
TOTAL	<u>6</u>	<u>6</u>
<u>STOCK</u>		
UNDER \$25 MILLION	4	3
OVER \$25 MILLION	4	3
TOTAL	<u>8</u>	<u>6</u>
<u>TOTAL COMPANIES</u>	14	12
UNDER \$25 MILLION	8	4
OVER \$25 MILLION	6	8

\*INCLUDES ONE COMPANY PLANNING TO CONTINUE USING  
A VENDOR PROCESSING SERVICE.

- MORE IN-HOUSE DEVELOPMENT BY SMALLER MUTUALS.
- NO TURNKEY SYSTEMS PLANNED.
- NO VENDOR PROCESSING PLANNED FOR FUTURE SYSTEMS.

INPUT

YINS16



# SOURCE OF SOFTWARE FUTURE SYSTEMS

<u>NUMBER OF COMPANIES PLANNING:</u>	<u>ENTIRELY NEW SYSTEMS</u>	<u>SIGNIFICANT ENHANCEMENTS</u>	<u>TOTAL</u>
IN-HOUSE DEVELOPMENT	3	11	14
VENDOR SOFTWARE	6	6*	12
DON'T KNOW	1	1	2

\*INCLUDES ONE COMPANY WHICH WILL CONTINUE TO USE REMOTE PROCESSING.

- QUESTION: DOES A FIRM GET VENDOR SOFTWARE BECAUSE IT WANTS A NEW SYSTEM, OR VICE VERSA?

INPUT

YINS17





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## ON-LINE OBJECTIVES MOTIVATE SOFTWARE SELECTION

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<u>SOURCE OF SOFTWARE FOR FUTURE SYSTEMS</u>	<u>NUMBER OF COMPANIES SELECTING</u>	<u>COMPANIES WITH IMPORTANT ON-LINE SYSTEMS PLANS</u>	<u>PERCENT</u>
IN-HOUSE DEVELOPMENT	14	4	29%
VENDOR	12	8	67%
TOTAL	<u>26</u>	<u>12</u>	

- SOME COMPANIES' CURRENT SYSTEMS CANNOT EASILY BE EXPANDED TO AN ON-LINE MODE.
- COMPANIES OFTEN DO NOT HAVE THE TIME, RESOURCES OR CONFIDENCE TO DEVELOP AN ON-LINE DATA BASE SYSTEM.
- EXPLAINS WHY ONLY HALF OF COMPANIES PLANNING TO USE VENDOR SOFTWARE HAVE A FAVORABLE ATTITUDE TOWARD IT.

INPUT

YINS18



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**SOURCES OF SOFTWARE:  
PRESENT AND FUTURE**

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<u>SOURCE OF SOFTWARE</u>	<u>NUMBER OF COMPANIES</u>	
	<u>PRESENT</u>	<u>FUTURE*</u>
<u>IN-HOUSE</u>		
- OWN DEVELOPMENT	17	16
- AFFILIATED COMPANY	3	1
TOTAL	<u>20</u>	<u>17</u>
<u>VENDOR</u>		
- PROCESSING SERVICE**	10	2
- SOFTWARE	3	11
TOTAL	<u>13</u>	<u>13</u>
DONT KNOW	-	2

\*TWO COMPANIES PLANNING TO USE TWO SOURCES.

\*\*NOTE: NOT RANDOM, INCLUDES FIVE INSCO CLIENTS.

INPUT

YINS19



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CHANGES IN INSURANCE PROCESSING  
(TARGET SEGMENTS)

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	<u>1981</u>	<u>1983</u>
IN-HOUSE HARDWARE	80%	90%
IN-HOUSE DEVELOPED SOFTWARE	70%	55%
VENDOR-SUPPLIED SOFTWARE	15%	35%
VENDOR PROCESSING SERVICE	25%	10%
TURNKEY SYSTEMS	5%	5%

NOTE: COLUMNS DO NOT TOTAL 100% BECAUSE OF  
OVERLAPPING.

SOURCE: SURVEY RESULTS AND INPUT ESTIMATES.

INPUT

YINS20



RESPONSIBILITY FOR RECOMMENDING  
AND DECIDING DATA PROCESSING PURCHASES

<u>COMPANY TYPE</u>	<u>RECOMMENDS</u>		<u>DECIDES</u>		
	<u>DP MANAGER</u>	<u>"VICE PRES." OVER DP MANAGER</u>	<u>PRESIDENT</u>	<u>COMMITTEE</u>	<u>OTHER</u>
<u>MUTUALS</u>					
UNDER \$25 MILLION	6	0	3	1	2
OVER \$25 MILLION	4	3	5	2	0
	<u>10</u>	<u>3</u>	<u>8</u>	<u>3</u>	<u>2</u>
TOTAL					
<u>STOCK</u>					
UNDER \$25 MILLION*	4	3	6	2	0
OVER \$25 MILLION	5	4	3	3	3
	<u>9</u>	<u>7</u>	<u>9</u>	<u>5</u>	<u>3</u>
TOTAL	<u>19</u>	<u>10</u>	<u>17</u>	<u>8</u>	<u>5</u>
UNDER \$25 MILLION	10	3	9	3	2
OVER \$25 MILLION	9	7	8	5	3

\*IN ONE COMPANY PRESIDENT HEADS DATA PROCESSING AND ALSO DECIDES.

INPUT

YINS21





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## PURCHASING DECISION CASE HISTORY

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- \$25 MILLION COMPANY.
- COMPANY HAS USED FOLLOWING:
  - SERVICE BUREAU.
  - IBM SYSTEM 3, IN-HOUSE OPERATION.
  - FACILITIES MANAGEMENT (USING HONEYWELL).
  - HONEYWELL, IN-HOUSE OPERATION.
- COMPANY'S PRESIDENT TALKED TO HEAD OF ANOTHER COMPANY ON GOLF COURSE.
  - OTHER COMPANY, IN START-UP MODE, VERY IMPRESSED WITH ISA.
  - "COULDN'T HAVE HANDLED BUSINESS WITHOUT IT."

INPUT

YINS22



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## PURCHASING DECISION CASE HISTORY - continued

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- THIS COMPANY HAS BEEN COMMITTED TO ISA FOR 18 MONTHS.
  - DATA PROCESSING DIRECTOR AND ALL STAFF BUT ONE HAVE GONE.
  - \$200K FOR SOFTWARE.
  - PACKAGE MODIFICATION COSTS MUCH HIGHER THAN EXPECTED (\$50K+)
  - CAN'T DEVELOP A CONVERSION PLAN.
  - USER DEPARTMENT INVOLVEMENT NOT DEEP.
- RESPONDENT PESSIMISTIC.



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IMPORTANCE OF VENDOR SELECTION  
FACTORS TO COMPANIES

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<u>RANKING OF FACTOR</u>	<u>FACTORS</u>	<u>COMMENTS</u>
HIGH	SYSTEM RELIABILITY; TIME & EFFORT TO IMPLEMENT; FLEXIBILITY; USER CONTROL; SUPPORT & TRAINING	FACTORS ARE IMPORTANT AFTER ACQUISITION; INVOLVE IMPLEMENTA- TION & OPERATION.
MEDIUM-HIGH	REPUTATION/REFERENCES; COST; SYSTEM FEATURES.	FACTORS ARE IMPORTANT BEFORE ACQUISITION.
MEDIUM	RESPONSE TIME; VENDOR SIZE	RESPONSE TIME IMPORTANT TO THOSE GOING ON-LINE
MEDIUM/LOW	NUMBER OF CURRENT CUSTOMERS; GEOGRAPHIC LOCATION OF VENDOR	

INPUT

YINS24



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IMPORTANCE OF VENDOR SELECTION - continued  
FACTORS TO COMPANIES

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ABOVE GROUPS FORMED AS FOLLOWS:

<u>RANKING GROUP</u>	<u>AVERAGE RATING</u>
HIGH	4.5 OR GREATER
MEDIUM/HIGH	4.0-4.4
MEDIUM	3.4-3.6
MEDIUM/LOW	3.1 OR UNDER

INPUT

YINS25





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## SUMMARY

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- HIGH USE OF AUTOMATION.
  - RELATIVELY UNSOPHISTICATED.
- SIGNIFICANT EXPANSION PLANS.
- VENDORS WILL PLAY MORE OF A ROLE.
  - SOFTWARE VENDORS.
  - WANT SOFTWARE WITH GOOD IMPLEMENTATION AND OPERATING CHARACTERISTICS.
  - ENTHUSIASM NOT HIGH.
- PREFERENCE IS TO MAXIMIZE USE OF IN-HOUSE SOFTWARE.
- RELATIVELY FEW DIFFERENCES RELATED TO COMPANY TYPE AND SIZE.

INPUT

YINS26



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## II. MARKET SIZING

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INPUT

YINS27



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PROPERTY/CASUALTY COMPANIES

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•	STOCK COMPANIES		1000
-	UNDER \$2 MILLION (DIRECT PREMIUMS)	200	
-	OVER \$2 MILLION (DIRECT PREMIUMS)	800	
•	MUTUAL COMPANIES		1600
-	"LEADING" MUTUALS (PER BEST)	300	
-	OTHER MUTUALS	1300	
•	OTHER (LLOYDS, RECIPROCALs, FACTORY MUTUALS)	75	
	TOTAL		2575

SOURCE: INPUT ANALYSIS OF 1978 BEST DATA

INPUT

YINS28



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## POTENTIAL TARGET COMPANIES

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- STOCK/MUTUAL COMPANIES.
- OVER \$2 MILLION DIRECT PREMIUMS.
- 1,100 COMPANIES (800 STOCK, 300 MUTUAL).

INPUT

YINS29





# TARGET COMPANIES BY SIZE (1978 DATA)

SIZE RANGE DIRECT PREMIUMS (\$ MILLIONS)	NUMBER OF COMPANIES*	DIRECT PREMIUMS - \$ BILLION)	AVERAGE SIZE PREMIUMS - \$ BILLION)	TOTAL PREMIUM VOLUME (\$ BILLION)
\$ 2-3.9	150		\$ 2.5	\$ .375
\$ 4-9.9	260		6	1.560
\$ 10-24.9	270		16	4.320
\$ 25-99.9	270		50	13.500
\$ 100 & OVER	<u>150</u>		-	-
TOTAL	1100			

\*NOT AGGRAGATED BY GROUP.

SOURCE: INPUT ESTIMATES BASED ON INSCO BEST REPORT LH42-612.

INPUT

YINS30



# POTENTIAL MARKET SIZE: DP SERVICES AND PRODUCTS

(1978 DATA; \$ MILLION)

SIZE RANGE DIRECT PREMIUMS (\$ MILLION)	DP EXPENSES @ 2% OF <u>DIRECT PREMIUMS</u>	MARKET SIZE FOR OUTSIDE SERVICES*	
		@ 75% OF DP <u>BUDGET</u>	@ 25% OF DP <u>BUDGET</u>
\$ 2-3.9	\$ 8	\$ 6	\$ 2
\$ 4-9.9	21	15	6
\$10-24.9	58	44	14
\$25-99.9	<u>270</u>	<u>200</u>	<u>70</u>
TOTAL	\$357	\$ 265	\$ 92

\*CURRENT EXPENDITURES AVERAGE APPROXIMATELY 35% OF TOTAL BUDGET.

- IGNORES EFFECTS OF COMPANY GROUPING.

INPUT

YINS31



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## MARKET SEGMENTATION FACTORS

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- OVERALL COMPANY SIZE.
- SIZE OF PERSONAL LINES BUSINESS.
- COMPANY GROUPS.
- GEOGRAPHIC LOCATION.

INPUT

YINS32



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## MARKET SEGMENTATION FOR THIS STUDY

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- ORIGINALLY, COMPANIES WITH \$10-100 MILLION DIRECT PREMIUMS, AND:
  - A MAJORITY OF PERSONAL LINE (HOMEOWNERS AND PRIVATE AUTO) BUSINESS.
- BROADENED IN THE COURSE OF STUDY:
  - IF A COMPANY HAD \$25-100 MILLION TOTAL DIRECT PREMIUMS.
    - AT LEAST \$10 MILLION IN PERSONAL LINES.
  - IF \$4-25 MILLION TOTAL DIRECT PREMIUMS.
    - AT LEAST \$4 MILLION IN PERSONAL LINES.
- ABOUT 35% OF PROPERTY/CASUALTY COMPANIES BETWEEN \$4-100 MILLION MEET THE BROADENED REQUIREMENTS.
  - ABOUT 20% WOULD MEET THEM USING ORIGINAL DEFINITIONS.





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## GROUPS

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- THERE ARE APPROXIMATELY 275 GROUPS WHICH INCLUDE A PROPERTY/CASUALTY COMPANY.
- THERE ARE APPROXIMATELY 1,200 COMPANIES IN THESE GROUPS.
  - OVER A THIRD OF COMPANIES IN GROUPS ARE LIFE INSURERS.
  - GROUPS RANGE IN SIZE FROM 2 TO 29 COMPANIES.
  - AVERAGE GROUP SIZE IS FOUR COMPANIES.
- THERE IS AN AVERAGE OF TWO PROPERTY/-CASUALTY COMPANIES PER GROUP.

INPUT

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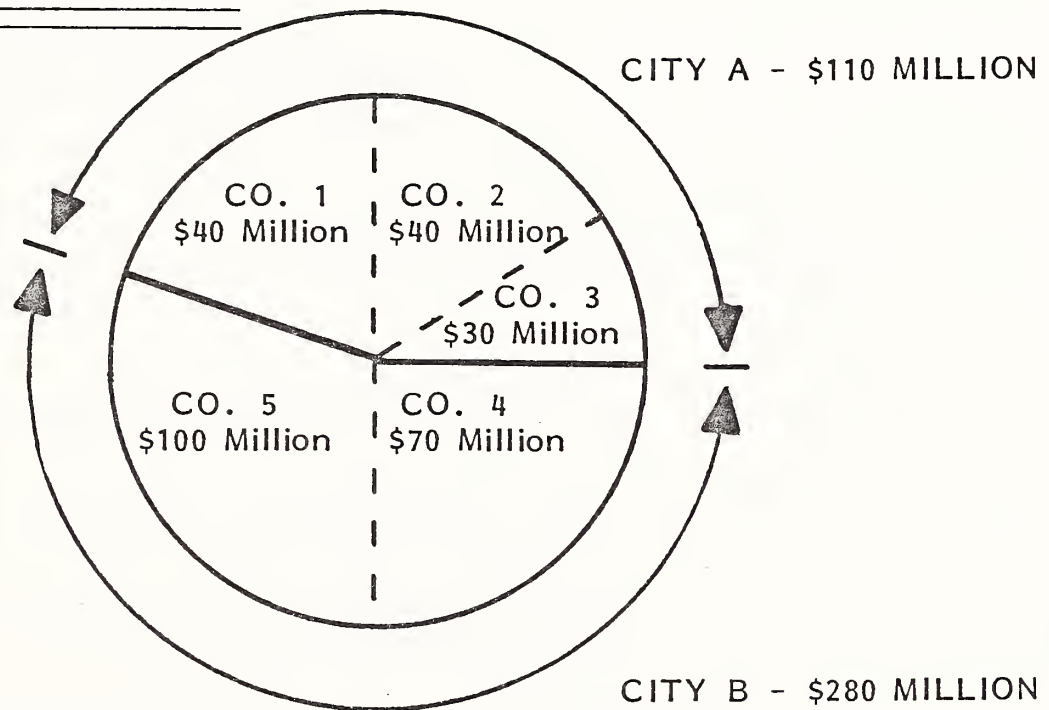
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COMPANY/GROUP ISSUES

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TOTAL = \$280 MILLION

- THERE IS A 50% CHANCE OF THERE BEING ONE BUYING AND OPERATING UNIT.
- ALMOST CERTAINLY THERE ARE NO MORE THAN TWO OPERATING/BUYING UNITS.
  - EACH UNIT WOULD BE LARGER THAN \$100 MILLION.

INPUT

YINS35



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## GROUP EXAMPLE - ANDOVER GROUP

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- THREE LEGALLY SEPARATE COMPANIES OPERATING AS ONE UNIT.
  - BAY STATE INSURANCE (\$7 MILLION).
  - CAMBRIDGE MUTUAL (\$60 MILLION).
  - MERRIMACK MUTUAL (\$34 MILLION).
- LOCATED IN ANDOVER, MASSACHUSETTS (SAME BUILDING).



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## GROUP EXAMPLE - SENTRY GROUP

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- SENTRY INSURANCE.
  - STEVENS POINT, WISCONSIN.
- "MINUTE MAN" COMPANIES.
  - BEST'S: "RELATED BUT CONDUCTING SEPARATE OPERATIONS".
  - CONCORD, MASSACHUSETTS (SAME BUILDING).
    - MIDDLESEX (\$44 MILLION).
    - PATRIOT GENERAL (\$9 MILLION).
  - UNITARY OPERATIONS.
- DAIRYLAND, DAIRYLAND MUTUAL, GREAT SOUTHWEST.
  - BEST'S: COMMUNITY OF INTEREST WITH SENTRY GROUP, BUT INDEPENDENTLY OPERATED".
  - SCOTTSDALE, ARIZONA.

INPUT

YINS37





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GROUP EXAMPLE - SENTRY GROUP - continued

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- CONTROLLED AND ADMINISTERED CENTRALLY.
  - CLAIMS ADMINISTRATION FOR ALL COMPANIES HANDLED GEOGRAPHICALLY.
  - A SINGLE ON-LINE DATA PROCESSING NETWORK.
    - ALL PROCESSING AT STEVENS POINT.
    - AFTER "MINUTE MAN" ACQUISITIONS IN MID-70's, INDEPENDENT SYSTEMS CONVERTED.
    - "MINUTE MAN" COMPANIES ARE AMERICAN AGENCY.
    - SENTRY IS A DIRECT WRITER.



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## GROUP EXAMPLE - BERKSHIRE HATHAWAY

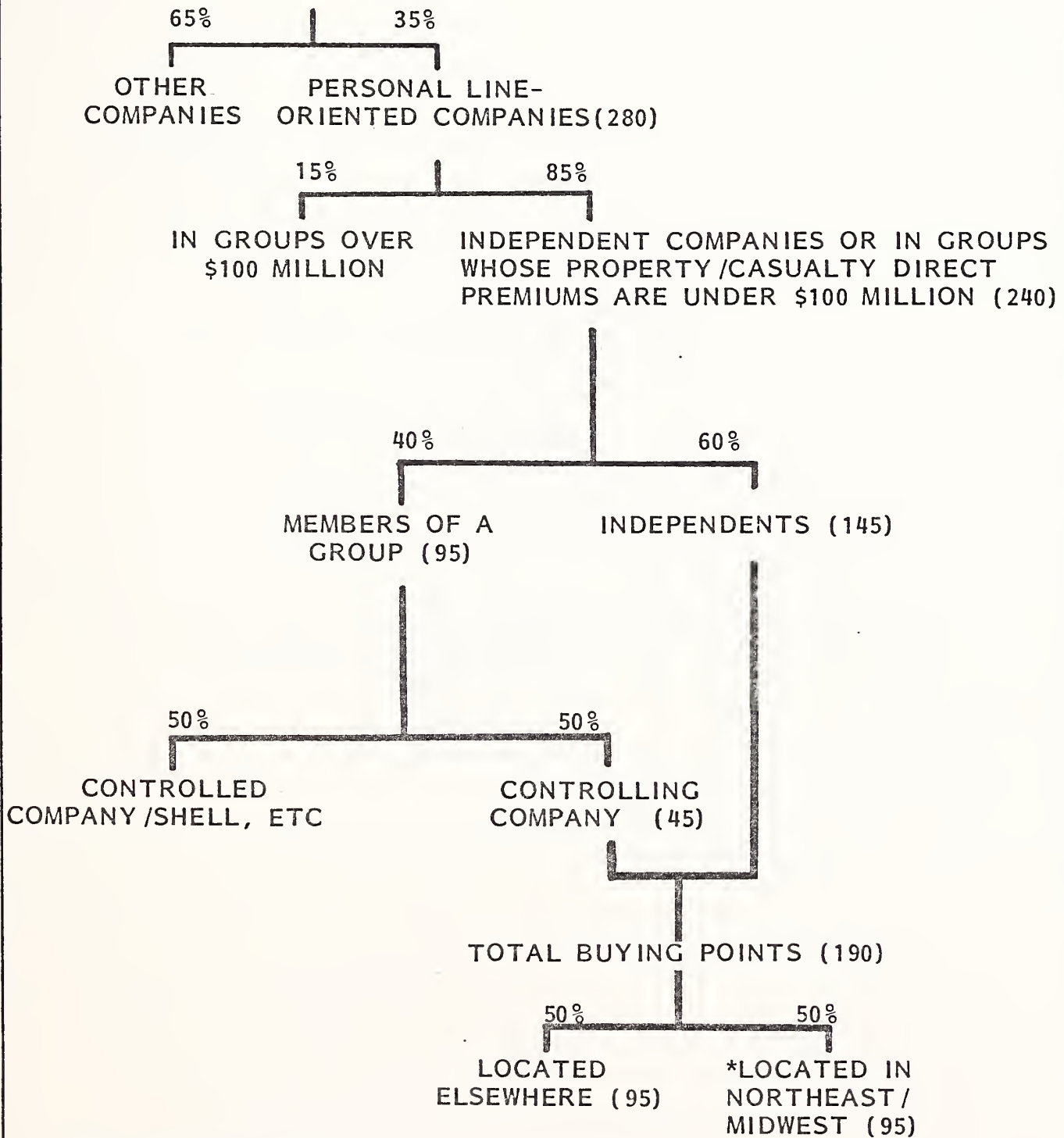
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- LOOSELY COUPLED, OPERATIONAL INDEPENDENCE.
  - 13 COMPANIES IN 9 CITIES.
  - HOME AND AUTO (INSCO CLIENT) IN CHICAGO IS PART OF GROUP.
- SEVERAL COMPANIES IN GROUP INSTALLING ISA.
  - COORDINATED PURCHASE.
    - UNCOORDINATED INSTALLATION AND TAILORING.
  - "NASTY" EXPERIENCE.
- "POSSIBILITY" THAT HOME AND AUTO MAY HAVE TO USE ISA.



ALL PROPERTY/CASUALTY COMPANIES  
BETWEEN \$4-100 MILLION (800 COMPANIES)



\*INSCO TARGET GROUP.

INPUT

YINS40



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## GEOGRAPHY

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- INSCO TARGET IS NORTHEAST/MIDWEST.
  - CHICAGO ON THE WEST.
  - CINCINNATI AND WASHINGTON D.C. ON THE SOUTH.
- THIS MARKET INCLUDES ABOUT HALF OF ALL PROPERTY CASUALTY COMPANIES.





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POTENTIAL PROSPECTS

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NUMBER OF BUYING POINTS\*

<u>LINE OF INSURANCE</u>	<u>GEOGRAPHICAL</u>		<u>TOTAL</u>
	<u>NORTHEAST</u>	<u>OTHER</u>	
PERSONAL	95	95	190
COMMERCIAL	<u>190</u>	<u>190</u>	<u>380</u>
TOTAL	185	185	570

\*BUYING POINT = INDEPENDENT COMPANY OR GROUP UNDER  
\$100 MILLION.

INPUT

YINS42



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MARKET SEGMENT SIZES  
FOR VENDOR SERVICES

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(\$ MILLION)

<u>LINE OF INSURANCE</u>	<u>NORTHEAST</u>	<u>OTHER</u>	<u>TOTAL</u>
PERSONAL	\$16	\$16	\$32
COMMERCIAL	<u>\$30</u>	<u>\$30</u>	<u>\$60</u>
TOTAL	\$46	\$46	\$92

- INPUT ESTIMATES BASED ON AVERAGE DIRECT PREMIUMS OF \$30 MILLION PER COMPANY AND A DATA PROCESSING BUDGET FOR VENDOR SERVICES OF .5% OF DIRECT PREMIUMS.



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## MARKET SIZE CONCLUSIONS

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- PRESENT INSCO TARGET GROUP IS RELATIVELY SMALL.
  - NINETY-FIVE (95) COMPANIES.
- COMMERCIAL LINES PRODUCT WOULD TRIPLE SALES OPPORTUNITIES.
- GROUP MARKET SHOULD BE BETTER UNDERSTOOD.
  - SIZING SHOULD BE PERFORMED BY COMPUTER ANALYSIS.
  - SALES EFFORTS SHOULD IDENTIFY DECISION MAKERS WITHIN A GROUP AND EXTENT OF GROUP COHESIVENESS.

INPUT

YINS44



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### III. COMPETITIVE ENVIRONMENT

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- COMPETITORS.
  
- KINDS OF SERVICES.
  - PROCESSING.
  
  - SOFTWARE.
  
  - TURNKEY.
  
  - PRODUCTS.





CUSTOMER PREFERENCE FOR TYPE OF VENDOR COMPANY

<u>CUSTOMER COMPANY</u>	<u>RATING BY TYPE OF VENDOR COMPANY*</u>			
	<u>INDUSTRY SPECIALIST</u>	<u>INSURANCE COMPANY SUBSIDIARY</u>	<u>INDEPENDENT SOFTWARE COMPANY</u>	<u>HARDWARE COMPANY</u>
MUTUALS				
UNDER \$25 MILLION	2.7	4.0	2.2	2.0
OVER \$25 MILLION	3.3	3.3	2.0	2.0
STOCK				
UNDER \$25 MILLION	2.6	2.6	2.4	1.6
OVER \$25 MILLION	3.4	4.3	1.9	1.3
AVERAGE-ALL COMPANIES	3.0	3.5	2.1	1.7

INPUT

YINS46



# IMPORTANCE OF VENDOR SELECTION FACTORS TO COMPANIES: VENDORS PERCEPTIONS

RANKING OF FACTOR*	FACTORS	POSITION ON LIST		SIGNIFICANT DIFFERENCE
		VENDORS	COMPANIES	
HIGH	REPUTATION/REFERENCES	1	6	
	SYSTEM RELIABILITY	2	1	
	FLEXIBILITY	3	3	
	TRANSACTION TURNAROUND	4	9	X
	VENDOR SIZE	5	10	X
MEDIUM/HIGH	TIME & EFFORT TO IMPLEMENT	6	2	
	SUPPORT & TRAINING	7	5	
MEDIUM	EXTENT OF USER CONTROL	8	4	X
	SYSTEM FEATURES	9	8	
	NUMBER OF CURRENT CUSTOMERS	10	11	
MEDIUM/LOW	GEOGRAPHIC LOCATION OF VENDOR	11	12	
	COST	12	7	

\*RESPONDENTS RATED EACH FACTOR ON A SCALE OF 1 (LOW) TO 5 (HIGH).

INPUT

YINS47



## COMPETITORS

- TWO LEADING FIRMS.
  - ISA, PMS.
- SECONDARY ESTABLISHED FIRMS.
  - LYCOR (TURNKEY).
  - MIDWEST DATA SERVICES (CELINA).
  - INSCO.
- VERY SMALL FIRMS.
  - NOT NECESSARILY REGIONAL.
  - CREATE A MARKET; FOR EXAMPLE:
    - INSURANCE NETWORK SYSTEMS (NJ).

INPUT

YINS48



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## COMPETITORS - continued

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- LOWER PROFILE INSURANCE COMPANY SPIN-OFFS/-  
SERVICE BUREAUS.
  - THREE USER COMPANIES FOUND IN THIS SURVEY  
ARE EXAMPLES.
    - SECURITY CASUALTY (CHICAGO).
    - NORTHEAST DATA SERVICE (BOSTON).
    - ROCKFORD MUTUAL.
- IN-HOUSE DATA PROCESSING.





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PMS/ISA

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- UNIVERSAL RESPECT, TINGED WITH AWE.
- VERY GOOD TECHNICALLY.
- SEEN AS ENORMOUS BURDEN FOR SMALLER COMPANY.
  - CUSTOMERS RANGE FROM \$6 MILLION TO \$1.5 BILLION.
  - NINETY-NINE (99) LEVELS OF BUDGETING.
  - FIVE FEET OF MANUALS TO UNDERSTAND.
  - HAVE TO CONFORM.
  - OVERSELL TOP MANAGEMENT.
  - CONVERSION/MODIFICATIONS NOT APPROACHED REALISTICALLY.
  - TOO OFTEN VIEWED AS ONLY A DATA PROCESSING PROJECT.

INPUT

YINS50



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**PMS CUSTOMER BASE\***

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<u>SIZE OF COMPANY</u>	<u>SOFT- WARE</u>	<u>PROCESSING SERVICE</u>			<u>GRAND TOTAL</u>
		<u>PMS</u>	<u>NON-PMS</u>	<u>TOTAL</u>	
\$ 4-9.9	3	1	3	4	7
10-24.9	8	6	5	11	19
25-49.9	14	1	7	8	22
50-99.9	22	3	3	6	28
100+	33	2**	3	5	38
	<hr/> 80	<hr/> 13	<hr/> 21	<hr/> 34	<hr/> 114

\*FOR COMPANIES USING BASIC INSURANCE SOFTWARE OR SERVICE, EXCLUDES THOSE USING SPECIALIZED PRODUCTS, E.G., REPORTING SYSTEMS.

\*\*INCLUDES SEIBELS, BRUCE.

- INSCO PICKED THE UNDER \$100 MILLION MARKET BECAUSE IT DOESN'T WANT TO COMPETE WITH PMS.
- BUT 60% OF PMS SOFTWARE CUSTOMERS ARE UNDER \$100 MILLION.
- SMALLEST IS \$6 MILLION.

INPUT

YINS51



INSURANCE COMPANY SPIN-OFFS PROFILES - ONE

<u>NAME</u>	<u>PARENT</u>	<u>PARENT SIZE (\$ MIL.)</u>	<u>RELATIONSHIP</u>	<u>YEAR EST.</u>	<u>TYPE OF SERVICE</u>
MIDWEST DATA SERVICES CELINIA, OH	CELINA MUTUAL	\$43	DIVISION	1965	ON-LINE DDP
INS. PROCESSING INC. CHICAGO, IL	SECURITY MUTUAL CASUALTY	\$35	TO BE LEGALLY DISTINCT	1977	ON-LINE
MUTUAL DATA INS. INC. BOSTON, MA	QUINCY MUTUAL	\$44	LEGALLY DISTINCT	1971	RJE
ROCKFORD MUTUAL ROCKFORD, IL	ROCKFORD MUTUAL	\$17	DEPT.	1970's	RJE/- BATCH

INPUT

YINS52



# INSURANCE COMPANY SPIN-OFF - PROFILES TWO

<u>Name</u>	<u>Software Source</u>	<u>No. Of Clients</u>	<u>Client Size (\$ Mil)</u>	<u>Regional</u>	<u>Actively Mktg.</u>	<u>Reason For Service</u>
MIDWEST DATA SVS	ISA	50	\$2-25	Y-LARGE AREA	Y	BUSINESS VENTURE
INS. PROCESSING	SELF	10	\$6-20	N	Y!	BUSINESS VENTURE
MUTUAL DATA INS., INC.	SELF; TO INSTALL PMS	14	\$4-50	Y-SMALL	N	NEW ENGLAND MUTUAL CO-OP
ROCKFORD MUTUAL	SELF	65-70	EACH UNDER \$1	Y-SMALL AREA	N	PART OF LINKS TO COUNTY MUTUALS

INPUT

YINS53





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## REMOTE PROCESSING SERVICES

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- BASIC AVERSION BY COMPANIES, PREFER IN-HOUSE.
  - CONTROL.
  - FLEXIBILITY.
  - TIMELINESS.
  - STILL NEW ENTRANTS, APPARENTLY SUCCESSFUL.
- MUST BE ON-LINE, INTERACTIVE.



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## INSCO CUSTOMER PLANS: HOME AND AUTO

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SIZE 1: \$10 MILLION

### SATISFACTION

- MEDIUM.
  - INSCO CAN'T HANDLE VOLUME.
  - "THEY SOMETIMES FORGET WE'RE HERE".

### CHANGES DESIRED

- IN-HOUSE HARDWARE.
  - INSCO MINI PROPOSAL "INTERESTING".
  - INTEND TO LOOK OVER FIELD TO "GET PERSPECTIVE".
- PREFER IN-HOUSE DEVELOPED SOFTWARE.
  - BUT FEEL PROBABLY NOT ECONOMIC.
  - MAY BE FORCED TO USE ISA BECAUSE SISTER COMPANIES ARE INSTALLING.

INPUT

YINS55



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INSCO CUSTOMER PLANS: HOME AND AUTO - continued

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RATIONALE FOR PREFERENCE

- IN-HOUSE SYSTEM CAN ADAPT EASIER TO:
  - NEW LINES.
  - NEW STATES.

YEAR OF CHANGE: 1982+

PROBABILITY: MEDIUM

INPUT

YINS56



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INSCO CUSTOMER PLANS: MONARCH OF OHIO

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SIZE 1: \$30 MILLION

SATISFACTION

- MEDIUM.
- USE SEVERAL VENDORS.

CHANGES DESIRED

- BRING ALL PROCESSING IN-HOUSE.
- NOW TALKING TO IBM ABOUT HARDWARE.
- ASSUME WILL USE A VENDOR SOFTWARE PACKAGE.
- COST JUSTIFICATION WILL BE IMPORTANT.





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INSCO CUSTOMER PLANS: MONARCH OF OHIO - continued

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RATIONALE FOR PREFERENCE

- COMMON SYSTEMS.
- TIMELINESS.

YEAR OF CHANGE: UNKNOWN.

PROBABILITY: MEDIUM-HIGH.

INPUT

YINS58



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INSCO CUSTOMER PLANS: PENNINSULA INSURANCE  
OF MARYLAND

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SIZE: \$4 MILLION

SATISFACTION

- MEDIUM.
  - LOSS REPORTING IN 1978 INACCURATE.
    - TOOK YEAR TO RECOVER.
  - USED PREVIOUS SERVICE BUREAU FOR 21 YEARS.
    - OWNER RETIRED.

CHANGES DESIRED

- LIKE TO GO IN-HOUSE.
  - PROBABLY NOT FINANCIALLY FEASIBLE.

INPUT

YINS59



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INSCO CUSTOMER PLANS: PENNINSULA INSURANCE - continued  
OF MARYLAND

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RATIONALE FOR PREFERENCE

- CONTROL.
- QUALITY.

YEAR OF CHANGE: UNKNOWN.

PROBABILITY: LOW

INPUT

YINS60



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**INSCO CUSTOMER PLANS: ROCKFORD MUTUAL**

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(NOTE: NORTHERN ILLINOIS FARMERS MUTUAL ACQUISITION IS INSCO CUSTOMER.)

SIZE: \$17 MILLION - TOTAL

SATISFACTION

- MEDIUM.

CHANGES DESIRED

- PULL INSCO PROCESSING ONTO IN-HOUSE SYSTEMS.
- CHANGED TO ON-LINE SYSTEMS IN 1980.

RATIONALE FOR PREFERENCE

- WANT COMMON SYSTEMS.

YEAR OF CHANGE: 1982

PROBABILITY: HIGH.

— INPUT —

YINS61





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INSCO CUSTOMER PLANS: UNITED GENERAL  
INSURANCE OF TEXAS

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SIZE: \$18 MILLION

SATISFACTION

- MEDIUM.
  - TIMELINESS.
  - QUALITY.

CHANGED DESIRED

- IN-HOUSE SYSTEM.

RATIONALE FOR PREFERENCE

- "IN LONG RUN MUST GO IN-HOUSE BECAUSE OF GROWTH.
- CONTROL QUALITY.
- FASTER TURNAROUND.

YEAR OF CHANGE: 1983-1985

PROBABILITY: MEDIUM-HIGH.

INPUT  
YINS62



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### INSCO CUSTOMER PLANS: SUMMARY

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<u>COMPANY</u>	<u>CHANGES DESIRED</u>		<u>YEAR</u>	<u>PROBABILITY</u>
	<u>HARDWARE</u>	<u>SOFTWARE</u>		
HOME AND AUTO	IN-HOUSE	VENDOR, MAYBE ISA	1982+	MEDIUM
MONARCH	IN-HOUSE	VENDOR	?	MEDIUM-HIGH
PENINSULA	IN-HOUSE	VENDOR	-	LOW
ROCKFORD	IN-HOUSE	IN-HOUSE	1982	HIGH
UNITED GENERAL OF TEXAS	IN-HOUSE	VENDOR	1983-1985	MEDIUM-HIGH

INPUT

YINS63



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## VENDOR SOFTWARE

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- LESS PENETRATION SO FAR IN SMALLER COMPANIES.
- AVERSION FOR MIXTURE OF REASONS.
  - PRESENT OFFERINGS VERY BULKY.
  - DATA PROCESSING DEPARTMENT "HARI-KARI".
- MOST SMALLER COMPANIES CAN'T DEVELOP/MAINTAIN GOOD ON-LINE SOFTWARE.
  - GRUDGING ACCEPTANCE OF VENDOR SOFTWARE IF GOING TO PROGRESS.

INPUT

YINS64



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### SOURCES OF VENDOR SOFTWARE\*

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PMS	4
PMS OR ISA	1
ISA	1
CELINA (PROCESSING SERVICE)	1
UNIDENTIFIED	5
TOTAL	<hr/> 12

\*FOR INTERVIEWED COMPANIES PLANNING NEW SYSTEMS OR  
SIGNIFICANT SYSTEM CHANGES.

INPUT

YINS65





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## PROFILE OF A TURNKEY PROSPECT

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- CUSTOMER CHARACTERISTICS.
  - LITTLE DATA PROCESSING EXPERIENCE, UNSOPHISTICATED.
  - NO ON-SITE DATA PROCESSING.
  - POTENTIAL FOR IMMEDIATE TURNKEY IMPACT.
  - FEW UNIQUE CUSTOMER NEEDS, ACTUAL OR PERCEIVED.
  - LITTLE RESISTANCE TO CHANGING ADMINISTRATIVE SYSTEMS TO CONFORM TO SYSTEM.
  - CUSTOMIZATION BY CUSTOMER OR EASY TO DO BY VENDOR.
- SUCCESS INDUSTRY: AUTO DEALERS.
- EVEN SMALL-MEDIUM INSURANCE COMPANIES HAVE FEW OF THESE CHARACTERISTICS.

INPUT

YINS66



# TURNKEY HARDWARE PREFERENCES

QUESTION: WOULD IT MAKE ANY DIFFERENCE WHO MANUFACTURED THE HARDWARE IN A TURNKEY SYSTEM?

	WOULD MAKE A DIFFERENCE	WOULDN'T MAKE A DIFFERENCE	TOTAL
• DIRECT ANSWER	18	10	28
• PREFERENCE TOWARD A SPECIFIC MANUFACTURER?*			
- IBM	14	6	20
- HEWLETT-PACKARD	4	1	5
- OTHERS	4	2	6
- NO PREFERENCE	1	4	5

\*SEVERAL RESPONDENTS HAD MORE THAN ONE FAVORITE.

INPUT



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## REACTION TO TURNKEY SYSTEMS

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- QUALITATIVE.
  - LITTLE AWARENESS.
  - LITTLE INTEREST.
- INTERPRETATION.
  - MAY REPRESENT LACK OF KNOWLEDGE/-  
EDUCATION.
  - THREAT PERCEIVED TO IN-HOUSE DATA PRO-  
CESSING ADVANTAGES.
    - . CONTROL.
    - . FLEXIBILITY.
    - . RESPONSIVENESS.
  - THREAT TO DATA PROCESSING.



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## TURNKEY SYSTEM VENDORS

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- PMS.
  - ONE OF 16 SALES IN 1980 WERE "TURNKEY".
- LYCOR.
  - SELLS ONLY TURNKEY SYSTEMS.
  - SEVEN OR EIGHT TURNKEY SALES SINCE 1974.

INPUT

YINS69





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## TURNKEY SYSTEM VENDORS

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- AID.
  - JOINT VENTURE WITH ANDOVER GROUP, MID-1970's.
    - SUPPOSED TO COST \$50K, COST \$225K.
  - VENDOR HAS BEEN UNSUCCESSFUL IN MAKING FURTHER SALES (ACCORDING TO ANDOVER).
    - TRIED FOR THREE YEARS.
  - ANDOVER VERY SATISFIED BUT SYSTEM IS LIMITED.
    - RATING, ISSUING ONLY.
    - NO DIRECT BILLING, ACCOUNTING.
    - SUPPOSED TO HOLD 100K POLICIES, BUT ONLY HOLDS 65K.
    - NO MAINFRAME LINK.
  - MAY ABANDON WHEN ACQUIRE ISA OR PMS PACKAGE.

INPUT

YINS70



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## PERSONAL LINES MARKET

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- RELATIVELY SMALL.
- APPROACHING SATURATION FOR "BASIC" DATA PROCESSING SERVICES.
- STILL POTENTIAL FOR "NEXT GENERATION" SYSTEMS.  
IN ORDER OF PRIORITY:
  - ON-LINE.
  - MORE FLEXIBLE.
  - DATA BASE ORIENTED.
- ESTABLISHED MARKET LEADERS.
  - SOME DISSATISFACTION WITH PACKAGE "BULKINESS".

INPUT

YINS71



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## COMMERCIAL LINES

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- RELATIVELY LARGE MARKET.
- LARGELY UNAUTOMATED.
  - SMALLER COMPANIES UNSURE ON HOW TO PROCEED.
- COMMERCIAL OFFERINGS PICKING UP SPEED.
  - PMS HALF WAY THROUGH INTRODUCTION OF COMPLETE COMMERCIAL LINES PACKAGE.
  - A NEW ENTRANT OFFERS ONLY COMMERCIAL LINES SERVICES.
- POTENTIAL FOR GROWTH.
  - NO FIRM APPEARS TO BE ESTABLISHED.

INPUT

YINS72



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## MARKET NEEDS

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- KEY CHARACTERISTICS.
  - ON-LINE SYSTEM.
  - ALL LINES.
- ON-SITE HARDWARE.
  - IBM AN OPTION, AT LEAST.
- NON-THREATENING/SUPPORTIVE PRODUCT.
  - NO "FIVE FOOT SHELF OF BOOKS" APPROACH.
    - . EASY TO USE.
  - RETAIN LOCAL CONTROL AND FLEXIBILITY, I.E.,
    - . SOME USER PROGRAMMING.
  - ALLOW FOR RETENTION OF LOCAL DATA PROCESSING STAFF.
    - . FUNCTIONAL RATIONALE (CONTROL, FLEXIBILITY).
    - . MORE IMPORTANTLY, MARKETING RATIONALE.





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#### IV. RECOMMENDATIONS

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- TURNKEY SYSTEM.
- PRODUCT CONCEPT PROPOSAL.

INPUT

YINS75



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## TURNKEY SYSTEM

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- INPUT RECOMMENDS AGAINST PROCEEDING WITH TURNKEY PRODUCTS IN GENERAL.
  - LACK OF CUSTOMER ENTHUSIASM FOR CONCEPT.
  - PREFERENCE FOR IN-HOUSE CONTROLLED SOFTWARE.
  - LACK OF MARKET ACCEPTANCE OF CURRENT PRODUCTS.
- THE AID PRODUCT APPEARS RISKIER THAN OTHERS.
  - ONE SITE.
  - INCOMPLETE PRODUCT.
  - POSSIBLE PILOT SITE ABANDONMENT.
- LYCOR IS A BETTER CHOICE.
  - SEVEN TO EIGHT SALES.
  - MORE COMPLETE PRODUCT.
  - WILLING TO LICENSE.
  - IMMEDIATE START-UP.

INPUT

YINS76



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## PRODUCT CONCEPT PROPOSAL

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- KEY CHARACTERISTICS.
  - TECHNICALLY ADVANCED.
    - DATA BASE MANAGEMENT SYSTEM.
    - DATA COMMUNICATIONS CAPACITY.
    - REPORT WRITER.
    - GENERALIZED TRANSACTION PROCESSOR.
  - CAPABLE OF RUNNING ON IBM 360 & 370 HARDWARE.
    - MARGINAL HARDWARE UPGRADES FOR MANY CUSTOMERS.
    - CHEAP USED EQUIPMENT AVAILABLE.
    - 4300 OPTION.
    - IBM NAME A PLUS.

INPUT

YINS77



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PRODUCT CONCEPT PROPOSAL - continued

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- PURPOSELY INCOMPLETE SOFTWARE.
  - . ELIMINATES TAILORING OTHERWISE NECESSARY.
  - . RESPONDS TO REAL AND IMAGINED UNIQUENESS.
  - . NON-THREATENING APPROACH.

INPUT

YINS78





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## PRODUCT CONCEPT IMPLEMENTATION

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- BECOME A MARKETING LICENSE FOR:
  - EXISTING DATA BASE MANAGEMENT PACKAGE (E.G., SYSTEM 2000).
  - AN ASSOCIATED COMMUNICATIONS MONITOR AND REPORT WRITER.
- DEVELOP ANCILLARY SOFTWARE FRAMEWORK.
  - SEVERAL DATA BASE DESIGNS.
  - A TRANSACTION PROCESSOR.
  - TABLE DESIGNS (E.G., FOR RATING).
  - REPORT DESIGNS.
  - CUSTOMERS MAY USE SOME OR ALL OF ABOVE.
    - CUSTOMER WOULD BE RESPONSIBLE FOR ALL APPLICATION CODING.
- DEVELOP INSTALLATION AND CONVERSION AIDS.
  - LET CUSTOMER MAKE CONVERSION.

INPUT

YINS79



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## FUNCTIONAL ADVANTAGES

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- DATA MANAGEMENT AND COMMUNICATIONS SOFTWARE WOULD BE OFF THE SHELF.
  - LITTLE DEVELOPMENT TIME NEEDED.
  - NO INVESTMENT.
  - RELIABLE.
  - COULD BE USED FOR OTHER CUSTOMER FUNCTIONS.
- IBM HARDWARE/SOFTWARE UNDERSTOOD.



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## FUNCTIONAL ADVANTAGES - continued

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- CUSTOMER WOULD HAVE CONTROL AND KNOWLEDGE.
  - SOFTWARE WOULD CONFORM TO CUSTOMER RATHER THAN VICE/VERSA.
  - INTERMEDIARY CONVERSION STEPS WOULD BE REMOVED; CUSTOMER WOULD'T HAVE TO:
    - UNDERSTAND DETAILS OF A FOREIGN APPLICATION.
    - TRANSLATE FROM ONE CODING STRUCTURE TO ANOTHER.
  - FASTER RESPONSE TO NECESSARY CHANGES
  - SMALL COMPANIES COULD HAVE "PARA-PROGRAMMERS".

INPUT

YINS81



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## MARKETING APPROACH

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- OPEN-ENDED PACKAGE ALLOWS FOR EACH COMPANY'S UNIQUENESS TO BE EXPRESSED.
  - A MODERN DATA BASE MANAGERMENT SYSTEM AND FACILITIES FOR ON-LINE COMMUNICATIONS.
  - COMPANY WILL HAVE COMPLETE CONTROL.
  - MARKET NICHE.
- WHAT IS GOOD FOR A \$1.5 BILLION COMPANY MAY BE TOO MUCH FOR A \$20 MILLION COMPANY.

INPUT

YINS82





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## MARKETING ADVANTAGES

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- ACCEPTANCE OF TESTED CORE SOFTWARE.
- IBM ENVIRONMENT.
- LIFE EASIER FOR DATA PROCESSING MANAGEMENT.
  - DOESN'T HAVE TO CONTEND WITH NON-APPLICATION DATA BASE MANAGEMENT AND DATA COMMUNICATIONS SOFTWARE.
  - FOCUS ON APPLICATIONS SOFTWARE.
  - CAN FEEL UP-TO-DATE.



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## MARKETING ADVANTAGES - continued

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- IMAGE POTENTIALLY EQUAL TO ISA/PMS.
  - IMPORTANT FOR GENERAL MANAGEMENT.
  - MODERN TECHNOLOGY.
  - RETAINS THE NEED FOR AN IN-HOUSE DATA PROCESSING STAFF.
  - COMPANY DOESN'T FEEL NAKED.
  - DATA PROCESSING MANAGEMENT CAN KEEP EMPIRE.
- CAN BE USED FOR COMMERCIAL LINES AS WELL.
- IN PRINCIPLE, NO COMPANY SIZE BARRIERS.







